

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 FEAE-00 /091 W
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R 301550Z JUN 75

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 7320

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY NAIROBI

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 COTONOU 929

EO 11652: XGDS-4 DECLAS DEC 1985

TAGS: PINS, PROP, DM

SUBJ: FURTHER DAHOMEAN NATIONALIZATION MEASURES

REF A. COTONOU A-14 B. COTONOU A-6 C. COTONOU 1865 DTD 4 DEC 74

SUMMARY: DAHOMEAN GOVT HAS ANNOUNCED NATIONALIZATION OF THE
REMAINING PRIVATE BANK INTERESTS AND TAKE-OVERS OF MOST OF THE
REMAINING PROFITABLE PRIVATE BUSINESSES EXCEPT RETAIN STORES
AND CONSTRUCTION COMPANIES. IF THE BANKING MEASURES ARE
IMPLEMENTED THEY SIGNIFY A COMPLETE ELIMINATION OF THE
INDIRECT INVESTMENTS OF THE BANK OF AMERICAN AND THE FIRST
NATIONAL CITY BANK, WHICH ARE THE LAST VESTIGES OF AMERICAN
PRIVATE INVESTMENT IN DAHOMEY. WE BELIEVE MEASURES WERE TAKEN
AT THIS TIME IN EFFORT TO A) RALLY SUPPORT OF DISAFFECTED
LEFT-WING INTELLECTUALS AND TRADE UNIONISTS, UNTIL NOW
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SUPPORTERS OF THE REGIME, WHO HAVE BEEN ALIENATED BY KEREKOU'S

CORRUPTION AND HIS MURDER OF AIKPE, B) CAPTURE PROFITS OF SOME REMAINING PROSPEROUS PRIVATE ENTERPRISES, AND C) DEMONSTRATE THAT GOVT IS STRONG AND EFFECTIVE DESPITE GENERAL STRIKE. SINCE DAHOMEANS ARE INCAPABLE OF MANAGING THE NATIONALIZED INTERESTS EFFECTIVELY (NOT ENOUGH TRAINED EXECUTIVES, TOO MUCH POLITICAL INTERVENTION), THE TAKE-OVERS WILL CAUSE FURTHER DISRUPTION AND INEFFICIENCY IN THE ECONOMY, WHICH IS ALREADY IN AN AWFUL MESS. END SUMMARY

1. YESTERDAY, JUNE 27, OFFICIAL DAHOMEAN RADIO ANNOUNCED THE FOLLOWING DECISIONS OF COUNCIL OF MINISTERS AND POLITICAL BUREAU, DESIGNED TO CARRY FORWARD THE REVOLUTION SO AS TO BENEFIT THE PEOPLE:

A. NATIONALIZATION OF THE BANKING SYSTEM. REMAINING PRIVATE BANKING INTERESTS, INCLUDING DAHOMEY BRANCH OF BANQUE INTERNATIONALE POUR L'AFRIQUE DE L'OUEST (BIAO) AND BANQUE INTERNATIONALE POUR LE COMMERCE-ET INDUSTRIE-DAHOMY (BICID) ARE TRANSFORMED "PURELY AND SIMPLY" INTO BRANCHES OF THE SOCIETE DAHOMEENE DE BANQUE (SDB). REASONS CITED FOR ACTION ARE: "SUCCESS OF GOVT WITH PARTIAL NATIONALIZATION OF BANKING SECTOR LAST DEC AND NECESSITY FOR STATE CONTROL OF ALL BANKS AS STEP IN GOVT'S PROGRESSIVE TAKE-OVER OF THE ECONOMY. THERE IS NO MENTION OF ANY INTENTION TO PROVIDE INDEMNIFICATION.

B. GOVT PARTICIPATION IN SOCIETE DE CIMENT DU DAHOMEY (SCD), THE SOLE CEMENT FIRM IN THE COUNTRY, IS INCREASED FROM 25 PERCENT TO 50, EFFECTIVE 2 DEC 1974. THOUGH SOCIETE DE COMMERCIALISATION ET DE CREDIT AGRICOLE DU DAHOMEY (SOCAD), THE GOVT IS TO HAVE MONOPOLY ON EXPORT OF CEMENT. THROUGH SOCIETE DAHOMEENNE POUR LE DEVELOPPEMENT DE L'INDUSTRIE ET DU COMMERCE (SODAIC) THE GOVT IS TO HAVE MONOPOLY ON DISTRIBUTION OF CEMENT WITHIN DAHOMEY.

C. BEER AND SOFT DRINKS FIRM SOBRADO IS NATIONALIZED.

D. GOVT'S SHARE OF OWNERSHIP OF OCODA, THE ONLY TEXTILE PRINTING FIRM, IS INCREASED FROM 13 TO 49 PERCENT.

E. HOTEL DE LA PLAGE (THE MOST SUCCESSFUL HOTEL) IS NATIONALIZED.

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ALIZED.

F. MONOPOLY ON IMPORTATION OF ALCOHOLIC BEVERAGES, TOBACCO AND KHAKI CLOTH (WHICH IS REQUIRED FOR SCHOOL UNIFORMS) IS GIVEN TO SODAIC.

2. AMERICAN INTERESTS AFFECTED BY THE NATIONALIZATIONS ARE THE INDIRECT INVESTMENTS IN THE TWO BANKS TAKEN OVER. BICI-

DAHOMY IS 50 PERCENT OWNED BY BANQUE FATIONALE DE PARIS;
REMAINDER OF STOCK IS HELD BY A SWISS-BASED CONSORTIUM OF
FRENCH, GERMAN, BELGIAN AND ITALIAN BANKS AS WELL AS BANK OF
AMERICA, WHICH HOLDS 11 PERCENT OF TOTAL SHARES OF THE COMPANY
(WHICH WE ESTIMATE VERY ROUGHLY TO BE WORTH \$150,000). BIAO-
DAHOMY IS A BRANCH OF THE PARIS-BASED BIAO NETWORK OF BANKS
ORIGINALLY SET UP IN FRENCH COLONIAL WEST AFRICA AROUND THE
TURN OF THE CENTURY. FIRST NATIONAL CITY BANK OWNS 49
PERCENT OF THE WHOLE NETWORK. OUR VERY ROUGH ESTIMATE OF
NATIONAL CITY'S INTEREST IN BIAO-DAHOMY IS \$600,000. DAHOMEAN
GOVT ANNOUNCED LAST DEC (REF C) ITS INTENTION TO TAKE SUBSTANTIAL
SHARES IN BICI-DAHOMY AND BIAO-DAHOMY, BUT FAILED TO PUT
THAT DECISION INTO EFFECT. IF GOVT ACTUALLY IMPLEMENTS ITS
LATEST ANNOUNCED INTENTIONS, IT WILL ASSUME ALL THE INTERESTS
OF THESE TWO BANKS, THUS WIPING OUT COMPLETELY THE INDIRECT
INVESTMENTS IN DAHOMEY OF THE TWO AMERICAN BANKS.
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COMMENT: AFOREMENTIONED MEASURES, TOGETHER WITH REDUCTION IN GASOLINE PRICES AND PROMISE TO ELIMINATE UNEMPLOYMENT, ARE DESIGNED AS EMERGENCY PACKAGE TO DISSOLVE PUBLIC WRATH AGAINST PRES KEREKOU. NATIONALIZATION MEASURES WILL APPEAL TO DIS-AFFECTED LEFT-WING INTELLECTUALS AND TRADE UNIONISTS WHO WITH THE MILITARY WERE PREVIOUSLY THE MAIN SUPPORT OF THE REGIME BUT HAVE BEEN ALIENATED BY KEREKOU'S CORRUPT PRACTICES AND FINALLY BY HIS MURDER OF INTERIOR MIN AIKPE LAST WEEK.

4. WITH EXCEPTION OF TAKEOVER OF HOTEL DE LA PLAGE, ALL OF THE MEASURES WERE PUT ON PAPER LAST DEC AS FOLLOW-UPS TO THE FIRST BIG ROUND OF TAKE-OVERS. HOWEVER, SINCE THE FIRST ONES WERE GENERALLY UNSUCCESSFUL AND TO SOME EXTENT NOT EVEN IMPLEMENTED, THE FURTHER MEASURES HAD BEEN PUT ON THE SELF. THEY WERE DUSTED OFF BECAUSE THE REGIME NEEDED SOME CAUSE AROUND WHICH TO RALLY ITS DIVIDED SUPPORTERS, AND IT ALSO CONFIDENTIAL

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WISHED TO DEMONSTRATE THAT IT REMAINED IN FIRM CONTROL OF THE SITUATION, FULLY CAPABLE OF "TWEAKING THE IMPERIALISTS' NOSES". IT WILL OF COURSE BE DIFFICULT TO IMPLMENT THE NEW TAKE-OVERS UNTIL THE DISRUPTIONS CAUSED BY THE CURRENT GENERAL STRIKE ARE REPAIRED.

5. THE GOVT HAS SELECTED SOME OF THE FEW REMAINING PROFIT-ABLE SECTORS OF THE ECONOMY TO SEIZE: CEMENT EXPORTS (TO NIGERIA, AT A BIG PREMIUM), BREWING AND SOFT-DRINKS, TEXTILE PRINTING, ALCOHOL AND TOBACCO. A GREAT DEAL OF ALCOHOL AND TOBACCO PASSES TO NIGERIAL ILLICITLY AFTER ARRIVAL IN COTONOU. A LARGE PROPORTION OF THE PROFITS OF THE FOREIGN-OWNED IMPORTING FIRMS IN DAHOMEY DEPEND ON WINES AND SPIRITS. THE NEW MEASURES THUS DEAL THEM A SEVERE BLOW. THE AIM OF THESE MOVES IS TO PUT THE LARGE FRENCH-OWNED IMPORTING HOUSES OUT OF OR VIRTUALLY OUT OF BUSINESS WITHOUT THE DAHOMEAN GOVT HAVING TO ASSUME THE BURDEN OF INDEMNIFICATION RESULTING FROM OUT-RIGHT NATIONALIZATION.

6. GOVT NO DOUBT HOPES TO BE ABLE TO REALIZE THE SAME PROFITS AS DID PRIVATE FIRMS (THIS HAS BEEN FAVORITE THEME OF MIN-ISTERS). IT IS DOUBTFUL THAT THEY WILL BE ABLE TO DO SO, BECAUSE PROFITS ARE POSSIBLE ONLY IF SALES NETWORK IS SKILLFULLY MANAGED. DAHOMEAN GOVT IS INCAPABLE OF EFFICIENTLY RUNNING ITS ALREADY EXISTING COMMERCIAL ACTIVITIES. THE THREE STATE ENTITIES THAT WILL ASSUME RESPONSIBILITIES UNDER THESE TAKE-OVERS -- SODAIC, SOCAD AND THE "COLLECTIVITES LOCALES" (LOCAL ADMINISTRATIVE BODIES) -- ARE ALL IN POOR SHAPE. SODAIC HAS NOT BEEN NEARLY AS PROFITABLE SINCE ITS NATIONALIZATION IN APRIL 74 AS BEFORE.

7. THE MOST IRRATIOAL MEASURE OF THE LOT IS THE TAKEOVER OF THE REMAINING PRIVATE INTERESTS IN BANKS. THE SOCIETE DAHOMEENE DE BANQUE (SDB) IS ONLY NOW GETTING BACK ON ITS FEET AFTER LOSING ITS OVERSEAS CONNECTIONS AND RECEIVING A NEW MANAGEMENT TEAM FOLLOWING THE NATIONALIZATION MEASURES LAST DEC. EVEN WITH THE GOVT DIRECTING A LOT OF BUSINESS TO IT, IT HAS HAD DIFFICULTY KEEPING OPERATIONALLY EFFECTIVE. ADDITION OF TWO MORE BANKS TO SDB APPARATUS MAY BE TOO MUCH OF A BURDEN AND CAUSE IT TO SINK, LEAVING DAHOMEY WITH NO FUNCTIONAL BANKING FACILITY AT ALL.
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8. IF THE NEWLY-ANNOUNCED BANKING MEASURES ARE CARRIED OUT, AND THE LOCAL BRANCHES OF BICI AND BIAO ARE TAKEN OVER, THE LAST VESTAGES OF AMERICAN PRIVATE INVESTMENT WILL HAVE DISAPPEARED FROM DAHOMEY. THE TREND TOWARD ELIMINATION OF OUR INVESTMENT INTERESTS HERE BEGAN WITH THE ANNULMENT OF THE UNION OIL CONTRACT IN JAN 74. END COMMENT

9. LITERALLY NO ONE AMONG LOCAL DIPLOMATIC AND FININCIAL COMMUNITIES BELIEVES THE DAHOMEAN GOVT WILL BE ABLE TO PROVIDE ADEUATE INDEMNIFICATION, EVEN IF IT SHOULD EVENTUALLY DECLARE THE INTENTION TO DO SO.

10.PURSUANT TO OUR STANDING INSTRUCTIONS, WE WILL MAKE FORMAL DEMARCHES RE BANK TAKE-OVERS AT FOREIGN AND FINANCE MINISTRIES, REMINDING THE DAHOMEAN GOVT OF ITS RESPONSIBILITIES UNDER INTERNATIONAL LAW FOR FULL, JUST AND PROMPT INDEMNIFICATION. HAVE ALREADY DISCUSSED COORDINATION OF DEMARCHES WITH FRENCH AMB. OUR PRESENTATIONS WILL ALSO NOTE DAHOMEAN FAILURE TO THUS FAR NEGOTIATE SETTLEMENT WITH MOBIL AND TEXACO, WHO SUBMITTED THEIR CLAIMS PROMPTLY SIX MONTHS AGO.

11. FOR NAIROBI: PLEASE BRIEF FIRST NATIONAL CITY BANK MANAGER FOR AFRICA KENNETH LUSSIER.

12. FOR ABIDJAN: PLEASE PROVIDE MOBIL AND TEXACO A GENERAL BRIEFING.
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